

## Message Text

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13-12

ACTION EA-09

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TO SECSTATE WASHDC PRIORITY 4798

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DEPT PASS TREASURY

E. O. 11652: GDS

TAGS: EGEN, EFIN, JA

SUBJ: ECONOMIC SUMMIT: MOF VIEWS ON GOJ POSITION

1. SUMMARY: SENIOR MOF OFFICIAL SOEJIMA, FORMERLY DIR, IBRD TOKYO OFFICE, AND CURRENTLY COUNCILLOR ENGAGED IN COORDINATING WITHIN MOF AND WITH OTHER MINISTRIES INTERNATIONAL AND OTHER MATTERS, TOLD FINATT FINANCE MINISTRY IS WELL PLEASED WITH FINAL GOJ POSITION, AND IT APPEARS TO FINATT MOF HAS MADE SOME CONCESSIONS. SOEJIMA SAID HE THOUGHT THAT FONOFF STILL DIS- PLEASED THAT GOJ NOT SUFFICIENTLY FORTHCOMING TO LDCS. THRASH- ING OUT GOJ POSITION APPARENTLY INVOLVED GREAT DEAL OF HAGGLE- ING AND MUCH MIDNIGHT OIL. NEVERTHERLESS, POSITION APPROVED AT REGULAR CABINET MEETING ON MORNING NOV 11. FULL CONTENTS OF GOJ POSITION EMBODIED IN DRAFT MIKI SPEECH TO BE MADE IN SUMMIT HAS APPEARED IN JAPANESE PRESS AND TRANSLATION BEING SENT SEPTELS. FOLLOWING ARE ASPECTS OF SPEECH ON WHICH SOEJIMA COMMENTED ARE OF SPECIAL INTEREST TO MOF. END SUMMARY.

2. ECONOMIC PROSPECTS: GOJ HAD NOTHING ESPECIALLY NEW TO SAY ON SUBJECT. PM WILL STRESS, HOWEVER, THAT GOJ HAS DONE ALL IT CAN TO STIMULATE JAPANESE RECOVERY AND CONFIDENTIAL

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GOVERNMENT WILL NOW AWAIT THE IMPACT OF THE PHASE IV

MEASURES, INCLUDING SUPPLEMENTAL BUDGET AND GREATER MONETARY EASE.

E. EXCHANGE RATE: SUBJECT IS TOO TECHNICAL IN NATURE AND SHOULD BE REFERRED FOR DISCUSSION AMONG FINANCE MINISTERS. ANOTHER MOF OFFICIAL (UTSUMI) SAID GOJ POSITION REMAINS UNCHANGED: STABLE BUT ADJUSTABLE EXCHANGE RATES IN THE LONGER TERM, BUT IN VIEW OF CURRENT UNSETTLED ECONOMIC CONDITIONS NO CHANGE IN THE PRESENT OPERATION OF THE SYSTEM.

4. TRADE: GOJ HAD NOTHING ESPECIALLY NEW TO SAY ON SUBJECT. JAPAN WOULD RECONFIRM OECD TRADE PLEDGE. PM MIKI WOULD INDICATE HIS DISSATISFACTION WITH THE SLOW PROGRESS OF TOKYO ROUND TRADE NEGOTIATIONS.

5. NORTH-SOUTH PROBLEMS: GOJ PROPOSALS WILL INCLUDE:

(A) PROMOTION OF TOKYO DECLARATION TO HELP LDCS;  
(B) CONTINUATION OF JAPAN'S PREFERENCES TO LDCS BEYOND 1980;  
(C) AGREEMENT THAT GREATER USE SHOULD BE MADE OF OPEC MONEY FOR DEVELOPMENT AID AND, IN GENERAL, MORE FUNDS SHOULD BE DEVOTED TO PRODUCTION OF FOOD AND AGRICULTURAL PRODUCTS. (SOEJIMA SAID THAT PROMOTION OF FOOD PRODUCTION WOULD BENEFIT ASIA WITH ITS LARGE AND AGRARIAN POPULATION AND LOW LEVEL OF INCOME. WHILE GOJ WISHED TO SEE MORE AID FOR ASIAN COUNTRIES, SOEJIMA SAID GOJ DOES NOT WANT TO OVEREMPHASIZE SUPPORT FOR ASIA SINCE MEETING IS AMONG INDUSTRIAL COUNTRIES ONLY AND JAPAN HAS NOT BEEN DELEGATED RESPONSIBILITY OF BEING SPOKESMAN FOR ASIAN COUNTRIES.);

(D) IFAD: MOF DOES NOT BELIEVE SUBJECT WILL BE RAISED AT SUMMIT MEETING. MOF OPPOSES SCHEME UNLESS AT LEAST THREE CONDITIONS ARE MET:

(1) SUBSTANTIAL AMOUNTS OF OPEC MONEY ARE PROVIDED,  
(2) COST/BENEFIT RATIO WOULD BE ALMOST AS HIGH AS FOR IBRD FUNDS, AND  
(3) LDCS SHOULD NOT HAVE PRIMARY VOICE;  
(E) DEVELOPMENT SECURITY FUND: OFFICIAL RECOGNIZED POSSIBILITY OF INSUFFICIENT FUNDS IF DEVELOPED COUNTRIES WERE TO USE TI BUT ON OTHER HAND MOF DOES NOT WANT TO CONFIDENTIAL

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ABRIDGE RIGHTS OF ALL MEMBERS INCLUDING DEVELOPED COUNTRIES TO FUND RESOURCES. THEREFORE, MOF BELIEVES OBJECTIVE OF PROVIDING MAXIMUM FUNDS TO LDCS COULD BE REACHED IF DRAWING RIGHTS WERE SCALED PERHAPS AS FOLLOWS:

1) DEVELOPED COUNTRIES (LIKE AUSTRALIA AND NEW ZEALAND)  
DRAW UP TO 50 PERCENT,  
(2) LDCS UP TO 100 PERCENT, AND  
(3) LLDCS UP TO 120 PERCENT;

(F) COMMODITY PRICE STABILIZATION: JAPAN WANTS TO BE INCLUDED IN THE INTERNATIONAL FORUMS DISCUSSING THE SUBJECT AND MIGHT BE PREPARED TO PARTICIPATE FOR CERTAIN SELECTED COMMODITIES. SOEJIMA SAID GOJ OPPOSES BUFFER STOCK PRINCIPLE (BECAUSE FLOOR PRICE LIKELY TO BE SET TOO HIGH THEREBY ENCOURAGING EXCESS SUPPLIES AND/OR DEVELOPMENT OF SYNTHETIC SUBSTITUTES) BUT FAVORS SCHEMES EMPHASIZING ACCESS TO MARKETS OR EXPORT QUOTAS WHICH WILL ACHIEVE GREATER PRICE STABILITY.

6. EAST-WEST RELATIONS: JAPAN HAS NOTHING NEW TO SAY ON SUBJECT. MOF IS CONCERNED THAT SOME EUROPEAN COUNTRIES ARE GIVING "TOO MUCH" CONCESSIONAL EXPORT CREDIT (SO THAT JAPAN MAY LOSE BUSINESS).

7. FOOD STOCKS: SUBJECT IS CERTAINLY WORTHWHILE STUDYING AND MOF IS NOT AGAINST KISSINGER'S PROPOSAL FOR 30 MILLION TON STOCKPILE. JAPAN WOULD, HOWEVER, WANT GUARANTEE OF SUPPLY AND PREFERS THAT INVENTORIES BE USED TO MODERATE PRICE FLUCTUATIONS RATHER THAN JUST TO BUILD UP STOCKS IN CASE OF UTIMATE NEED.

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